

Survive and Thrive: What kind of foreign firms survive longer in Japan?

A Thesis

Presented to

The Faculty of International Social Sciences

Gakushuin University

by

Hikaru Ukai

January 2025

Abstract

Foreign firms can have positive impacts, such as bringing new ideas and technologies to host countries and creating jobs. The Japanese government has been promoting inward foreign direct investment for decades. However, Japanese inward FDI stock as a percentage of nominal GDP is the lowest among the OECD member nations. Enticing more foreign firms to come to the Japanese market is the foremost objective for Japan. However, once foreign firms come to the Japanese market, having those firms keep doing business in Japan for the long term is also important. This study examined the factors that affect the survival period of foreign firms in Japan. 4088 foreign firms established after 1994 in 49 industries are studied, descriptively and econometrically. This study finds that the higher foreign ownership shares, the more competitive market, and the larger number of employees are likely to enable foreign firms to survive longer in Japan. Moreover, the nationalities of foreign firms are associated with the survival period of foreign firms. The foreign firms from Asia and Oceania survive longer compared with the foreign firms from North America and Europe.

生存と繁栄；どのような外資系企業が日本で長く生存するのか。

外資系企業は受入国に正の影響を及ぼす。新しい考えや技術をもたらし、雇用を創出する。日本政府は何十年もの間対日直接投資を受け入れるため積極的に取り組んでいる。しかし、日本の名目 GDP に対する対内直接投資残高は、OECD 加盟国の中で最も低い水準にある。対内直接投資を増やすことは最重要課題であるが、対内直接投資の恩恵を多く受けるためには、日本に既に進出している外資系企業により長い期間存続してもらうことも、重要な課題である。本研究では、日本にいる外資系企業の存続期間に影響を与える要因を検証した。1994 年以降に設立された 49 産業に属する 4088 社の外資系企業を対象に、記述的分析、及び計量経済分析を行った。その結果、外国資本の所有比率が高いこと、競争の激しい市場に参入すること、従業員数が多いことが、外資系企業の日本における存続期間を長くする可能性があることを発見した。また、外資系企業の国籍が存続期間に関連していることもわかった。北米やヨーロッパ地域出身の外国企業と比較して、アジアやオセアニア地域出身の外資系企業は、長期間存続する傾向があることが示された。

1. Introduction

“Walmart does not have a plan to come back to the Japanese market.”

Doug McMillon, the CEO of Walmart, June 7th 2024.

Doug McMillon told at a press conference that investing in other countries has a higher priority than investing in Japan¹. It is a near-consensus among economists and policy makers that the connections through Foreign Direct Investment (FDI) and trade between countries are necessary for the economic growth of countries. Especially, inward FDI confers many benefits to the host countries. For instance, the Japanese government focused on four positive effects: promoting innovation; making supply chain resilience; community invigoration by creating jobs and raising wages; and making management sophisticated (Ministry of Economy, Trade and Industry, 2024). The Japanese government aims to increase its inward FDI stock to 100 trillion yen by 2030 to obtain these benefits of inward FDI (Ministry of Economy, Trade and Industry, 2024). Table 1 shows the ranking of inward FDI stock as a percentage of nominal GDP in OECD member nations in 2021. This indicates that Japan is the lowest country in OECD member nations. The top 10 countries include some tax haven countries. Therefore, inward FDI is not necessarily beneficial simply because it is abundant (Sakata, 2023). However, Japanese inward FDI stock as a percentage of nominal GDP is markedly low among the bottom three countries. Given that inward FDI in Japan is already scarce, it is essential to ensure that foreign firms in Japan survive longer. This would contribute to Japan deriving greater benefits.

**Table 1: Ranking of inward FDI stock as a percentage of nominal GDP
among OECD member countries in 2021**

Top 10 countries			Bottom 10 countries		
Rank	Country	Inward FDI stock/ Nominal GDP (%)	Rank	Country	Inward FDI stock/ Nominal GDP(%)
1	Luxembourg	1193.2	29	Finland	33.4
2	Ireland	279.5	30	France	33.2
3	Netherlands	156	31	Norway	31.3
4	Switzerland/Liechtenstein	167.5	32	Iceland	30.4
5	Belgium	102.4	33	Germany	26.9
6	Estonia	97.6	34	Italy	21.7
7	Costa Rica	85.9	35	Greece	21.7
8	United Kingdom	82.4	36	Turkey	14.9
9	Canada	72.3	37	Korea	14.6
10	Czech Republic	70.8	38	Japan	5.2

Source: Sakata (2023)

¹ Nikkei Prime, Nikkei Inc. June 8th 2024.

The Japanese government should create a business environment where foreign firms that have made the effort to invest in Japan can keep on running their businesses for a long time. This is especially important because inward FDI in Japan is already lower than in other countries. In fact, the average exit rate of foreign firms in Japan was higher than that of foreign firms in Italy around the same period comparing the data of this paper to the data from Ferragina, Pittiglio, and Reganati (2014). There is concern that foreign firms in Japan will not be able to continue their businesses for a long time. For example, Carrefour which was the second-largest retail firm in the world exited the Japanese market in only four years (Suzuki, 2005). Some foreign firms exit the Japanese markets once and come back. Burger King expanded its business to Japan in 1994 and exited in 2001, but came back to the Japanese market again in 2007². Many foreign firms cannot survive longer in Japan although the Japanese market is attractive enough for some foreign firms to enter again.

The aim of this paper is to examine the factors that determine how many years foreign firms survive in the Japanese market. The data used in this study is *Gaisikei Kigyō Data*. The number of observations is 4088 foreign firms which were established after 1994 and 49 industries. This paper uses descriptive analysis and econometric analysis.

My analysis revealed that the higher foreign ownership shares, the more competitive market, and the larger number of employees are associated with the longer survival years of foreign firms. The contribution of this study is to identify which kind of firms' attributes contribute to longer survival period of foreign firms in Japan. Based on the results, the Japanese government should accept large firms' investment in competitive markets. Efforts should be made to create a business environment that facilitates foreign firms to establish their affiliates with full ownership instead of forming joint-ventures with Japanese firms.

This paper is organized as follows. The next section explains existing literature on inward FDI. Section 3 explains the data and methodology used in this paper. Section 4 described the descriptive results. Section 5 reports the estimation results and discussion. Section 6 concludes.

2. Literature Review

This section shows existing literature about the survival of inward FDI. A majority of the research which examined Japanese inward FDI focused on the entry, not the survival.

In the first place, the reasons why Japanese inward FDI is extremely lower than other countries have not been fully identified. However, Kiyota (2020) stated that improving the environment where foreign firms start business and absorbing foreign skilled workers were likely to increase inward FDI into Japan. He also argued that the activities of the Japanese

² Nikkei Business, Nikkei Inc. August 20th 2020.

governments to increase inward FDI achieved a certain result, but Japanese inward FDI was still lower than that of other countries.

Kwon, Ito, and Fukao (2007) found that the exit rate of foreign establishments was higher than Japanese establishments. On the other hand, the foreign establishments that did not exit had a higher growth rate of employment. The result indicated longer survival of foreign firms contributed to the growth of the Japanese economy.

Ferragina, Pittiglio, and Reganati (2014) found that foreign firms in Italy were predisposed to exit compared with domestic firms in both the manufacturing industries and the non-manufacturing industries.

Vu, Yamada, and Otuski (2014) analyzed multinational enterprises in Vietnam from 2000 to 2011 using the Cox hazard model. This study showed that the ownership structure and the nationality of foreign firms were related to the exit. They stated the firms owned by foreign firms at a higher rate could survive longer. In addition, they revealed that Asian foreign firms had the lowest probability of exiting the Vietnamese market.

In contrast, Kimura and Fujii (2004) argued that foreign ownership did not affect the exit. The data of their paper was the Basic Survey of Business Structure and Activity for the period 1994-1999. They examined foreign firms that have 100 or more employees. In my research, foreign firms that have less than 100 employees are also included.

Yamawaki (2004) focused on the exit patterns of European and U.S. firms in Japanese manufacturing industries. He examined 366 foreign affiliates which were built during the period from 1973 to 1994 in Japan. The study found that the exit patterns were not affected by Japanese-specific business practices and systems. In contrast, he showed that the global network and opportunities to export enabled foreign firms to survive in the Japanese manufacturing industries. He also revealed that the industry-specific factors increased the likelihood of exit for relatively new firms in the industry.

The most recent study by Miricola, Ricchiuti, and Velucchi (2024) focused on the relationship between the characteristics of local economies and the survival of foreign firms in European countries. They found that the survival rate of foreign firms was lower in a local economy where innovation activity was boosted. That is because the environment where innovation activity is strengthened is also likely to be more competitive. Moreover, they argued that the government quality was significant for the survival of foreign firms.

In the existing literature, few studies have addressed the survival of foreign firms in Japan. The analysis is needed especially for the period after the Japanese government promotion of inward FDI. Furthermore, the survival of foreign firms in not only manufacturing industries but also non-manufacturing industries should be examined. This is because many foreign firms enter the Japanese non-manufacturing industries as well as manufacturing industries. The

newness of this study is to examine foreign firms in all industries and the period from 1999 to 2023.

This study tests three hypotheses as follows.

Hypothesis 1: *Foreign firms with higher foreign ownership shares can survive longer.*

Foreign firms with higher ownership shares are likely to survive longer in the Japanese market. For instance, the foreign ownership shares of Costco which has been popular among Japanese since 1999 is 100%. Meanwhile, the foreign ownership shares of other retail firms that exited the Japanese market was not 100%. Walmart started to conduct business in Japan in 2002 cooperating with SEIYU (Taguchi, 2023). Walmart has already exited the Japanese market. Boots which was the largest pharmacy in the UK survived in Japan only for two years. Boots did business with Mitsubishi Corporation (Suzuki, 2005). These anecdotes indicate that foreign firms that began their businesses with Japanese firms cannot survive longer in the Japanese market. Foreign firms with higher foreign ownership shares can survive longer. Vu, Yamada, and Otuski (2014) also found foreign firms with higher foreign ownership shares could survive longer in Vietnam.

Hypothesis 2: *Foreign firms survive longer in the Japanese markets which are more competitive.*

Firms which enter the foreign markets are likely to have more ideas and technologies than domestic firms. Thus, foreign firms can survive longer in more competitive markets. On the other hand, foreign firms would exit the markets that are monopolized by a few firms because of the difficulties of gaining new customers.

Hypothesis 3: *The larger foreign firms can survive longer.*

Firms that have many employees, money, and assets can survive longer. They expand their businesses into Japan with abundant resources. They do not easily exit the Japanese market. Besides, these firms would have successful experiences in other foreign countries, from which they learn how to do business successfully in foreign markets. That is why the larger foreign firms can survive longer than the smaller foreign firms.

3. Data and Methodology

3.1 Data

The data used in this study is *Gaisikei Kigyou Data* which is published by Toyo Keizai

Data Service. This study uses the data from 1999 to 2023 every two years.³ The data covers over 3000 foreign firms in Japan for a year, which is one of the largest data sets concerning inward FDI in Japan. This study examines foreign firms which were established after 1994. That is because the promotion of inward FDI by the Japanese government dates back to the launch of the advisory committee by the administration of the then-prime minister Tomiichi Murayama in 1994 (Shinmura, 2023). 4088 foreign firms in 49 industries for the period were analyzed in this research. In addition, this study uses the Herfindahl-Hirschman index in order to analyze the level of market dominance. The data is from the Japan Fair Trade Commission of the Japanese government. Due to the limitation of the data, the average of the 2011 and 2012 Herfindahl-Hirschman index is used in this paper, and the number of industries covered is reduced to 28 industries because of the availability of the Herfindahl-Hirschman index.

3.2 Methodology

This paper employs both descriptive analysis and econometric analysis. In econometric analysis, the higher foreign ownership shares, the more competitive markets, and the larger firms are expected to make the survival years of foreign firms longer. The estimation equation is expressed as follows:

$$Survival_i = \beta_1 Foreign\ ownership\ shares_i + \beta_2 HHI_J + \beta_3 Number\ of\ employees_i$$

Where i and J indicate a firm and the industry to which the firm $_i$ belongs. HHI_J means the Herfindahl-Hirschman index of the industry $_J$. Because of the limitation of the data, not all industries were examined using the Herfindahl-Hirschman index. Therefore, this paper also uses regression analysis without HHI_J . Instead, the estimation includes the industry fixed effects.

This paper also analyzes whether the differences in nationalities affect the survival years of foreign firms. 98% of foreign firms in Japan originate from North America, Europe, or Asia and Oceania. The estimation equation is expressed as follows:

$$Survival_i = \beta_1 Foreign\ ownership\ shares_i + \beta_2 HHI_J + \beta_3 Number\ of\ employees_i + \beta_4 NorthAmerica_i + \beta_5 Europe_i + \beta_6 AsiaOceania_i$$

North America, Europe, Asia and Oceania are dummy variables.

³ The data is published every year. However, because of the budget constraint, I have access only to the data of every other year.

Furthermore, the second approach employs the Cox proportional hazard regression model. This model is one of the multivariate statistical techniques in survival analysis (Kono & Aoyagi, 2022). The model is expressed as follows:

$$h_i(t) = h_0(t) \cdot \exp(\beta_1 \text{Foreign ownership shares} + \beta_2 \text{HHI} + \beta_3 \text{Number of employees})$$

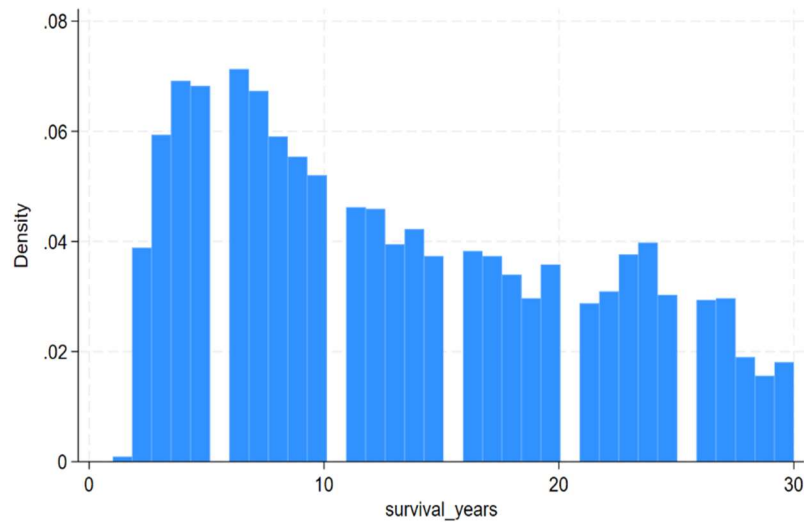
$$h_i(t) = h_0(t) \cdot \exp(\beta_1 \text{Foreign ownership shares} + \beta_2 \text{HHI} + \beta_3 \text{Number of employees} + \beta_4 \text{NorthAmerica}_i + \beta_5 \text{Europe}_i + \beta_6 \text{AsiaOceania}_i)$$

$h_i(t)$ represents the instantaneous risk of foreign firm_i exiting the Japanese market at time t . $h_0(t)$, known as the baseline hazard function, indicates the hazard when all explanatory variables are set to zero. $h_0(t)$ is independent of explanatory variables.

4. Descriptive analysis

Figure 1 shows how many years foreign firms survive in Japan. The average survival years is 13.32 years of the maximum possible years of 30 years. This study compares the exit rate in Japan to other countries. According to the study (Ferragina et al., 2014), the average exit rate of foreign multinational enterprises in Italy from 2004-2008 was 5.80%. Japanese exit rate from 2003 to 2007 is 36.2%. This indicates that it is difficult for foreign firms in Japan to stay in business for a long time compared with Italy.

Figure 1: Survival years of foreign firms



Source: Author

Table 2 shows the number of foreign firms which entered the Japanese market after 1994 by industry. The industry which the most foreign firms entered was Information & Systems & Software. 954 foreign firms entered this industry, which accounts for 23.3% of total foreign companies from 1994 to 2023. This indicates the impact of information technology development from the early 2000s. For the results of all the industries, see Table A1 in the Appendix.

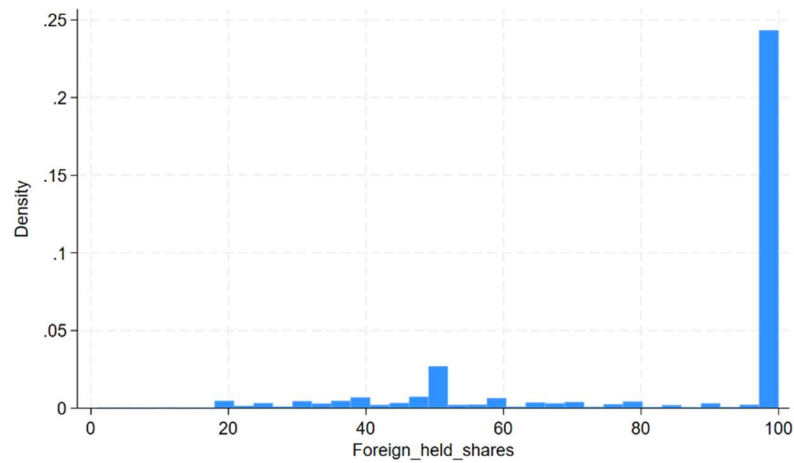
Table 2: The number of foreign firms by industry

Top 10	
Industry	The number of firms
Information & Systems & Software	954
Service	403
Other wholesale	231
Electric equipment wholesale	231
Precision instruments wholesale	181
Consulting	170
Machinery Wholesale	168
Transportation & Communication	164
Electric equipment	121
Chemical wholesale	105

Source: Author

Figure 2 shows the distribution of foreign ownership shares. This explains that about 25% of foreign firms come to market with 100% foreign ownership shares, not M&A. Ito and Tanaka (2022) found that the firms that have higher productivity have a tendency to share their affiliates at higher ownership rates than lower productivity firms.

Figure 2: The distribution of foreign ownership shares



Source: Author

Table 3 shows the number of foreign firms by nationality. The U.S. is the first home country of inward FDI into Japan. North America accounted for the largest share, followed by Europe, and Asia and Oceania. These three areas accounted for 98.4% of all foreign firms in this paper. For the results of all the nationalities, see Table A2 in the Appendix.

Table 3: The number of foreign firms by nationality

Area	Country	Entry firms	Exit firms	Exit rate	Survival years
North America	USA	1677	1081	0.64	12.12
	Canada	66	36	0.55	13.52
Europe	Germany	380	159	0.42	14.83
	United Kingdom	294	165	0.56	13.55
	France	235	111	0.47	14.50
	Switzerland	136	64	0.47	14.38
	Italy	82	40	0.49	14.96
	Others	337	153	-	-
Asia and Oceania	Korea	233	122	0.52	13.96
	China	163	53	0.33	14.08
	Taiwan	102	32	0.31	15.90
	Hong Kong	76	38	0.50	13.10
	Singapore	60	22	0.37	12.85
	Others	134	53	-	-
Others		62	41	-	-

Source: Author

5. Results and Discussion

Using firm-level data, this paper conducts multiple regression analyses for the above-mentioned hypotheses: whether foreign firms with higher foreign ownership shares survive longer; whether foreign firms in more competitive markets survive longer; and whether foreign firms with larger number of employees survive longer.

The estimation results are in Table 4. Foreign ownership shares, the number of employees, and the Herfindahl-Hirschman index are statistically significant with expected signs. Moreover, result 1 of Table 4 shows the results considering industry fixed effect instead of the Herfindahl-Hirschman index. In result 2 of Table 4, the number of the observations is smaller than in result 1 of Table 4 because of the limited availability of the Herfindahl-Hirschman index. However, the results are qualitatively the same as the estimation result considering the industry fixed effect. Result 3, 4, 5, and 6 of Table 4 show the results considering the nationalities of foreign firms. Firms originating from North America, Europe, and Asia and Oceania firms are analyzed as these firms represent 98.4% of all foreign firms in the dataset. Compared with Asia and Oceania, the reference category, North America is statistically significant with negative sign, as shown in result 3. Compared with North America, the reference category, Europe is

statistically significant with positive sign, as shown in result 4. These estimation results show that foreign firms from Asia and Oceania can survive longer than North American firms in Japan. European firms can survive longer than North American firms in Japan.

Table 4: Estimation results

	1	2	3	4	5	6
	result1	result2	result3	result4	result5	result6
VARIABLES	survival_years	survival_years	survival_years	survival_years	survival_years	survival_years
number_of_employees	0.000596** (0.000300)	0.000485* (0.000290)	0.000571* (0.000304)	0.000571* (0.000304)	0.000448 (0.000294)	0.000448 (0.000294)
foreign_ownership_shares	0.0459*** (0.00674)	0.0416*** (0.00756)	0.0434*** (0.00686)	0.0434*** (0.00686)	0.0379*** (0.00768)	0.0379*** (0.00768)
avg_HHI_2011		-0.000373*** (8.11e-05)			-0.000316*** (8.42e-05)	-0.000316*** (8.42e-05)
NorthAmerica			-1.520*** (0.460)		-2.043*** (0.537)	
Europe			-0.162 (0.480)	1.358*** (0.385)	-0.636 (0.571)	1.408*** (0.445)
AsiaOceania				1.520*** (0.460)		2.043*** (0.537)
Industry fixed effect	YES	NO	YES	YES	NO	NO
Constant	9.483*** (0.596)	11.04*** (0.753)	10.44*** (0.710)	8.916*** (0.622)	12.28*** (0.893)	10.23*** (0.793)
Observations	2,437	1,665	2,370	2,370	1,620	1,620
R-squared	0.065	0.031	0.073	0.073	0.041	0.041

Standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Source: Author

For robustness, this paper conducts the Cox proportional hazard regression analysis. Table 5 shows the results of the Cox proportional hazard regression analysis. Result 1 and result 2 of Table 5 indicate the increase in foreign ownership shares and the number of employees decreases hazard ratio. The basis of the hazard ratio is 1. When the hazard ratio is over 1, exit incidence increases. On the contrary, the hazard ratio is lower than 1, which means a decrease in exit incidence. The hazard ratio of the Herfindahl-Hirschman index is 1. This means that the Herfindahl-Hirschman index does not impact the survival period of foreign firms. Result 3,4,5, and 6 of Table 5 show the results considering the nationalities of foreign firms. Compared with North America, the reference category, Asia and Oceania and Europe decrease the hazard ratio. These results are in line with the results of Table 4. In multiple regression analyses, Europe is not statistically significant compared with Asia and Oceania, the reference category. However, in the Cox proportional hazard regression analysis, Europe increases the hazard ratio compared with Asia and Oceania, the reference category. Therefore, foreign firms from Asia and Oceania survive the longest among the three regions in Japan.

Table 5: The results of the Cox proportional hazard regression analysis

	1	2	3	4	5	6
	result1	result2	result3	result4	result5	result6
VARIABLES	hazard ratio	hazard ratio	hazard ratio	hazard ratio	hazard ratio	hazard ratio
number_of_employees	0.9998 ** (8.12e-05)	0.9998** (8.16e-05)	0.9997** (8.87e-05)	0.9997** (8.87e-05)	0.9998** (8.65e-05)	0.9998** (8.65e-05)
foreign_ownership_shares	0.9876*** (0.00100)	0.9885*** (0.00117)	0.9881*** (0.00103)	0.9881*** (0.00103)	0.9892*** (0.00120)	0.9892*** (0.00120)
avg_HHI_2011		1.0000*** (1.39e-05)			1.000*** (1.44e-05)	1.0000*** (1.44e-05)
NorthAmerica			1.9631*** (0.169)		2.0659*** (0.215)	
Europe			1.2035** (0.110)	0.6130*** (0.0388)	1.3632*** (0.155)	0.6598*** (0.0508)
AsiaOceania				0.5093*** (0.0439)		0.4840*** (0.0504)
Observations	2,437	1,665	2,370	2,370	1,620	1,620

seEform in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Source: Author

My analyses above show that foreign firms with higher ownership shares can survive longer. This result indicates that the policy on management is better determined by foreigners. They do not have to pander to Japan. This resonates with the anecdotes of the retail firms described above. Therefore, foreign firms that want to make inroads into the Japanese market should establish their firms with higher foreign ownership shares in order to survive longer.

In addition, the firms that have more employees can survive longer. The larger firms have more money than smaller firms. They do not exit the Japanese market easily. Foreign firms should have enough deep pockets to survive longer in the Japanese market.

Furthermore, it is hard for foreign firms to survive in an industry which is dominated by a few firms. They cannot acquire new customers in the industry. In contrast, foreign firms can survive longer in an industry that is close to perfect competition. Foreign firms are likely to outdo rival firms because they are more productive and have more technologies than domestic firms.

Finally, the nationality of foreign firms is significant to survive longer in Japan. The result that foreign firms from Asia and Oceania can survive longer in Japan indicates the geographical environment and cultural proximity impact the survival period of foreign firms in Japan. However, North American firms tend to have more advanced technologies and more resources than firms from Asia and Oceania. Therefore, the result that North American firms cannot survive longer than firms from Asia and Oceania, and Europe means Japan might fail to take advantage of the benefits from inward FDI.

6. Concluding Remarks

This study examines the factors for foreign firms to survive longer in Japan. As a result, higher foreign ownership shares, larger firms, and competitive industry are found to be important for survival in Japan. The results that higher foreign ownership shares encourage foreign firms to survive longer is in line with the previous research (Vu et al.,2014). Furthermore, it was found that survival years differ by nationality.

Based on these results, the Japanese government should promote the improvement of the business environment where foreign firms can start their business with full ownership shares. In addition, the Japanese governments should encourage foreign firms to enter the Japanese markets which are highly competitive. It is necessary to implement initiatives to attract larger firms to enter the Japanese market.

Some foreign firms that survive in the Japanese market became large firms. For instance, Starbucks keeps growing after entering the Japanese market. Starbucks opened its first store in Japan in 1996. The sales reached 253.93 billion yen in 2022⁴. Compared with Starbucks, the sales of Doutor, the Japanese coffee shop, was 109.363 billion yen in 2022⁵. Starbucks became a leading company. IKEA became a large furniture firm. The sales reached 95.418 billion yen in 2022⁶. Since 2020, IKEA has opened its stores in the middle of Tokyo in order to acquire new customers.⁷ IKEA continues to expand its business in Japan. As these are only some examples. More general and wholistic analyses are needed in the future studies.

The limitation of the data did not allow this study to make an international comparison fully. This paper could not clarify whether the findings are applicable to other foreign markets. It also remains unclear whether the differences in survival years by nationality are attributable to geographical factors or cultural background or political factors. It would be important for further research to analyze the survival of foreign firms in other countries in order to make the Japanese market more attractive and easier to survive.

⁴ Gaisikei Kigyō Data, 2023.

⁵ Statement of income, Doutor Nichires Holdings co., LTD., 2024.

⁶ Gaisikei Kigyō Data, 2023.

⁷ Nikkei X trend, Nikkei Business Publications, Inc. June 6th 2022.

Appendix

Table A1: The number of foreign firms in Japan after 1994 by industry

Industry	The number of firms
Information & Systems & Software	954
Service	403
Other wholesale	231
Electric equipment wholesale	231
Precision instruments wholesale	181
Consulting	170
Machinery Wholesale	168
Transportation & Communication	164
Electric equipment	121
Chemical wholesale	105
Lease & Finance	90
Retail	90
Food Products wholesale	85
Securities	78
Transportation equipment wholesale	77
Investment trusts & Investment advisory	76
Medicine	73
Chemical	71
Machinery	67
Insurance	63
Other manufacturing	61
Precision instruments	56
Textiles & Clothing wholesale	54
Transportation equipment	50
Real estate	48
Banking	35
Advertisement	34
Steel & Metal wholesale	31
Food products	28
General wholesale	22
Food & Beverage services	21
Newspapers & Publishing	18
Management administration	18
Textiles & Clothing	14
Metal products	13
Electricity & Gas	13
Construction	11
Non-ferrous Metals	11
Glass & Soil and stone	10
Petroleum & Fuel wholesale	9
Pulp & Paper	7
Other transport plane	4
Agriculture, Forestry & Fisheries	4
Steel	4
Glass & Soil and stone wholesale	3
Rubber products	3
Petroleum & Coal	3
Mining	3
Trust bank	2
Total	4088

Source: Author

Table A2: The number of foreign firms in Japan after 1994 by nationality

Area		Entry firms	Exit firms	Exit rate	Survival years
North America	USA	1677	1081	0.64	12.12
	Canada	66	36	0.55	13.52
Latin America	Brazil	4	4	1.00	10.50
	Mexico	2	0	0.00	11.50
	Chile	2	0	0.00	16.50
	Argentina	1	1	1.00	0.00
	Bahamas	1	1	1.00	11.00
Europe	Germany	380	159	0.42	14.83
	United Kingdom	294	165	0.56	13.55
	France	235	111	0.47	14.50
	Switzerland	136	64	0.47	14.38
	Italy	82	40	0.49	14.96
	Netherlands	70	34	0.49	15.09
	Sweden	59	37	0.63	12.41
	Belgium	32	18	0.56	12.55
	Denmark	32	7	0.22	15.23
	Finland	30	14	0.47	12.36
	Spain	27	12	0.44	13.22
	Norway	26	11	0.42	14.54
	Austria	20	8	0.40	16.78
	Ireland	11	5	0.45	17.55
	Luxembourg	8	1	0.13	19.63
	Czech Republic	4	1	0.25	13.50
	Iceland	4	2	0.50	13.25
	Portugal	3	1	0.33	6.33
	Turkey	3	0	0.00	17.00
	Russia	3	2	0.67	8.67
	Azerbaijan	1	0	0.00	9.00
	Hungary	1	0	0.00	30.00
	Belarus	1	0	0.00	12.00
	Liechtenstein	1	0	0.00	28.00
	Slovenia	1	0	0.00	6.00
Asia and Oceania	Korea	233	122	0.52	13.96
	China	163	53	0.33	14.08
	Taiwan	102	32	0.31	15.90
	Hong Kong	76	38	0.50	13.10
	Singapore	60	22	0.37	12.85
	Australia	55	28	0.51	13.70
	India	34	11	0.32	17.03
	Malaysia	10	3	0.30	13.20
	New Zealand	8	4	0.50	16.17
	Viet Nam	8	0	0.00	12.63
	Thailand	7	2	0.29	11.71
	Indonesia	3	2	0.67	18.33
	Philippines	2	0	0.00	28.00
	Cambodia	1	0	0.00	3.00
	Sri Lanka	1	1	1.00	4.00
	Latvia	1	0	0.00	12.00
	Macao	1	0	0.00	30.00
	Myanmar	1	0	0.00	8.00
	Mongolia	1	1	1.00	6.00
	Papua New Guinea	1	1	1.00	16.00
Middle East	Israel	35	26	0.74	11.42
	United Arab Emirates	9	6	0.67	12.75
	Saudi Arabia	3	1	0.33	17.67
Africa	Egypt	1	0	0.00	29.00
	Mauritius	1	1	1.00	21.00
	South Africa	3	1	0.33	13.33

Source: Author

References

- Bureau of economic and business affairs. (2024). 2024 Investment Climate Statements: Japan. U.S. Department of State. <https://www.state.gov/reports/2024-investment-climate-statements/japan/>
- Doutor Nichires Holdings co., LTD. (2024) Statement of income. <https://www.dnh.co.jp/html/ir04soneki.html>
- Ferragina, A. M., Pittiglio, R., & Reganati, F. (2014). DOES MULTINATIONAL OWNERSHIP AFFECT FIRM SURVIVAL IN ITALY? Journal of Business Economics and Management, 15(2), 335–355. <https://doi.org/doi:10.3846/16111699.2012.707622>
- Ito, T., & Tanaka, A. (2022). FDI, Ownership Structure, and Productivity. Japan and the World Economy, 64. <https://doi.org/doi.org/10.1016/j.jjie.2021.101173>
- Kimura, F., & Fujii, T. (2003). Globalizing Activities and the Rate of Survival: Panel Data Analysis on Japanese Firms. Journal of the Japanese and International Economies, 17(4), 538–600. <https://doi.org/10.1016/j.jjie.2003.08.003>
- Kiyota (2020). Nihon no miryoku ha saikai? (Is Japan's attractiveness at the bottom?) Research Institute of Economy, Trade and Industry. https://www.rieti.go.jp/jp/columns/s21_0008.html
- Kono, Y.& Aoyagi, Y. (2022). Survival Time Analysis : Relationship between Time and Event. The Japanese Journal of Rehabilitation Medicine, 59 (11), 1118-1124. https://www.jstage.jst.go.jp/article/jjrmc/59/11/59_59.1118/_pdf
- Kwon, H. U., Ito, K., & Fukao, K. (2007). Foreign-Owned Establishments in Japan: An Empirical Analysis of Exit and Employment Growth Based on the Establishment and Enterprise Census. The Economic Analysis, 179, 1–35.
- Ministry of economy, trade and industry. (2024). *Background*. Ministry of Economy, Trade and Industry. https://www.meti.go.jp/english/policy/external_economy/investment/index_FDI_into_Japan.html

Ministry of economy, trade and industry. (2024). Tainichi tyokusetu toushi no suishin. (The promotion of Japanese inward foreign direct investment).
<https://www.meti.go.jp/policy/investment/index.html>

Miricola, S., Ricchiuti, G., & Velucchi, M. (2024). The Survival of Foreign Affiliates: A Multi-Level Analysis.
<https://fondazionemasi.it/public/masi/files/ITSG/Pisa2024/MiricolaRicchiutiVelucchi.pdf>

Nikkei Business, Nikkei Inc. June 8th 2024. (2020). Yuumei gaisikei kigyō ya ote burando no nihon tettutai zirei to sono haikai wo kakokizi kara manabu. (Learn about cases of famous foreign companies and major brands withdrawing from Japan and their backgrounds from past articles) <https://business.nikkei.com/atcl/gen/19/00081/072900119/>

Nikkei prime, Nikkei Inc. (2024). Walmart no CEO “Nihon heno saisan nnyuu ha kanngaezu” toushi wo yusen. (Walmart CEO “I’m not thinking about re-entering the Japanese market” Investing is priority).
<https://www.nikkei.com/article/DGXZQOGN07F0B0X00C24A6000000/>

Nikkei X trend, Nikkei Business Publications, Inc. (2022). “IKEA no Harajuku, Shibuya, Shinjuku kouryaku Kougaigata to kotonaru kosei juushi no misezukuri” (IKEA's strategy in Harajuku, Shibuya, and Shinjuku: Creating stores that focus on individuality, different from suburban models.)
<https://xtrend.nikkei.com/atcl/contents/18/00603/00005/>

Sakata, K. (2023). Tainai tyokusetu toushi baizou ha zitsugen dekirunoka? (Can a doubling of inward FDI be achieved?)
<https://www.nli-research.co.jp/report/detail/id=73575?site=nli>

Shinmura, T.(2023). Kaigai kara no zinzai • sokin wo yobikomu tameno akusyon puran nitsuite. (Action Plan for attracting human and financial resources from overseas) Economic & Social Research, 41, 15-16

Suzuki, T. (2005). Carrefour tettutai ga nokoshita kyoukun. (Lessons Left Behind by the Carrefour Withdrawal) Logi-Biz. <https://magazine.logi-biz.com/pdf-read.php?id=107>

- Taguchi, F. (2023). Walmart ni okeru seiyu no ichizuke (pozisyoningu) no hennka ni tsuite. (Changes in Seiyu's Positioning within Walmart). Business Review of the Senshu University, 115, 95–127.
- Vu, T. M., Yamada, H., & Otsuki, T. (2014). The Rise and Fall of Multinational Enterprises in Vietnam: Survival Analysis Using Census Data during 2000–2011. OSIPP Discussion Paper.
- Yamawaki, H. (2019). Who Survives in Japan? An Empirical Analysis of European and U.S. Multinational Firms in Japanese Manufacturing Industries. Journal of Industry, Competition, and Trade, 4, 135–153.